

treatment capacity in an area.

Aside from the above discussions, Weissman also reported that major teaching hospitals as well as public hospitals have a greater tendency to be receiving hospitals than are other hospitals.⁹ Relamn stated that voluntary hospitals, traditionally considered philanthropic institutions, increasingly dumped more patients to other hospitals.⁴ Interestingly, contrary to the previous discussion, Berline found that not-for-profit hospitals were responsible for most patient dumping.¹³ Further research is still needed to clarify the relationships between hospital ownership and the frequency of patient dumping.

Hospital competition

Competition has always been present in the healthcare industry. Particularly, Sohn concluded that for-profit hospitals receive notably more competition from their neighbors than do public hospitals based on a relational approach.²¹ Under today's market-driven healthcare system, competition among hospitals has forced prices toward marginal costs and resulted in a great reduction in profit margins for hospitals.²² Many hospitals have been compelled to develop businesslike strategies such as the transfer of patients who are considered unprofitable or a reduction in the provision of uncompensated care in order to survive in an extremely competitive market.⁹ Therefore, hospitals might seek to shift responsibility for caring for indigent or unprofitable patients to their neighbor hospitals. One would expect a high incidence of patient dumping to be present in a highly competitive health market.

Implementation of the Prospective Payment System (PPS)

Under the PPS, hospitals are paid a fixed amount for each treated patient based on the principal discharge diagnosis or the principal operative procedure rather than on the actual inpatient costs of the resources used. This payment scheme means that hospitals can keep or have to absorb the differential between its cost and the rate established for providing patient care. Therefore, the PPS might create financial incentives for hospitals to selectively admit profitable

patients and to transfer complex and unprofitable patients, even if they still could have provided treatment themselves. A study by Stern and Epstein demonstrates that hospitals do discourage admissions when a patient is identified as having high-cost characteristics.¹⁷ Ansell and Schiff in 1987 predicted that patient dumping would occur based on unprofitable diagnosis-related groups.⁵ Recently, Schlesinger et al.² and Weissman⁹ concluded that the occurrences of patient dumping were related to implementation of the PPS. The great interest of hospitals in maximizing net financial returns under the PPS has contributed to the high prevalence of patient dumping.

High penetration of managed care

Managed care has dominated the US health delivery system since the 1980s. The number of enrollees in managed care reached 81 million in 1999 and was expected to exceed 100 million in 2002.²³ The widespread adoption of managed care is due to its ability to contain costs. Studies have persistently reported that managed care has successfully reduced health care costs by switching provider incentives away from excessive utilization of resources toward less costly treatments, denying out-of-plan claims, and transferring all Health Maintenance Organization (HMO) patients to contracted facilities.^{9,24,25} Managed care not only decides where insured patients are able to receive treatment, but also what medical services providers should provide to the enrollees. A report by Nelson et al. revealed that 88% of HMOs required prior authorization for nonemergency hospital admissions.²⁶ Schlesinger et al. also stated that managed care organizations limit the use of emergency services outside their own circle of providers.² Therefore, cost-containment strategies, especially precertification of admissions and restrictions in the use of emergency services, adopted by managed care organizations will inevitably result in the increased frequency and intensity of patient dumping. The prosperity of managed care also plays an important role in the prevalence of patient dumping.

Impacts of Patient Dumping on Patient Health

Patient dumping has a detrimental impact on pa-